

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

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JUSE-00 SAJ-01 OIC-02 FTC-01 STR-04 SS-15 NSC-05

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O 191930Z SEP 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 8514

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PASS EB FOR BOEKER, L FOR FELDMAN, TREASURY FOR
WIDMAN AND LANGE, JUSTICE FOR DAVIDOW

E. O. 11652: N/A

TAGS: EINV, EFIN, OECD

SUBJECT: GUIDELINES FOR MNE'S: NEXT MEETING OF IME
SEPTEMBER 30-OCTOBER 1, 1975

REF: (A) STATE 223236

(B) STATE 217460

(C) OECD PARIS 23213

(D) OECD PARIS 22870

(E) IME(75)6

(F) STATE 214882

(G) IME(75)15

(H) IME(75)12

(I) IME(75)17

1. SECRETARIAT (RAYMOND BERTRAND) HAS BRIEFED MISSION
ON DEVELOPMENTS REGARDING MNE EXERCISE IN IME, BASED
ON INFORMAL MEETING HELD IN BONN WITH FRAU STEEG
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(CHAIRMAN OF IME), VOGELAAR AND BERTRAND ON SEPTEMBER 18.

2. IT WAS AGREED THAT RESTRICTED MEETING ON SEPTEMBER 29 SUGGESTED IN REFTEL (C) AND CONFIRMED IN REFTEL (B) WILL NOT BE HELD. INSTEAD, THE FRG WILL HOST A RESTRICTED LUNCHEON IN PARIS ON SEPTEMBER 25. PARTICIPANTS NOW PLANNED ARE UK (MRS. MULLER), SWEDEN (LIND), U.S. (KORP), SECRETARIAT (VOGELAAR) AND FRG (STEEG). FRAU STEEG HAS SUGGESTED PRIME SUBJECT OF LUNCHEON SHOULD BE TO HELP CONFIRM THAT BASIC CONSENSUS APPARENTLY REACHED ON THE DRAFT PREAMBLE ON BASIS LAST MEETING OF THE AD HOC DRAFTING GROUP (REFERENCES D AND G) WILL NOT BE UNRAVELLED AT THE IME PLENARY ON SEPTEMBER 30. WOULD BE UNDERSTOOD THAT DRAFTING CHANGES WOULD BE DEALT WITH AT THE NEXT AD HOC DRAFTING GROUP MEETING. IF TIME PERMITS, FRAU STEEG ALSO SUGGESTED THAT THE DISCUSSION AT THE LUNCHEON COULD ENCOMPASS THE QUESTION OF POLITICAL INVOLVEMENT (DISCUSSED BELOW IN PARA 4).

3. THE FRG WILL HOST ANOTHER LUNCHEON (PRESUMABLY AT HEADS OF DELEGATION LEVEL) DURING IME ON SEPTEMBER 30. PARTICIPANTS WILL PROBABLY INCLUDE THOSE COUNTRIES WHICH ARE MEMBERS OF THE DRAFTING GROUP AND THE SECRETARIAT (VOGELAAR). THE TOPICS OF DISCUSSION WILL DEPEND ON THE STATUS OF NEGOTIATIONS AT THE IME PLENARY AT THE TIME THE LUNCHEON IS HELD.

4. POLITICAL INVOLVEMENT: SECRETARIAT (BERTRAND) REPORTS THAT ITS THINKING AND THAT OF STEEG TENDING TOWARD OPINION THAT POLITICAL INVOLVEMENT QUESTION IS AN ISSUE BEST HANDLED APART FROM MNE GUIDELINES. ALTHOUGH THE UK TEXT (REFDOC B) IS NOT DIRECTED AT GOVERNMENTS, THE U.S. TEXT (REFTEL F) IS DIRECTED IN PART AT GOVERNMENTS WHICH MAY POSE PROBLEM IN THE CONTEXT OF GUIDELINES FOR MNE'S. FURTHERMORE, SECRETARIAT FEELS THIS PROBLEM IS NOT PECULIAR TO MNE'S AND THAT ALL ENTERPRISES SHOULD BE COVERED. APPARENTLY, FRAU STEEG IS CONSIDERING MAKING THE SUGGESTION OF SHIFTING THE DISCUSSION ON THIS ISSUE TO THE XCSS AT LEAST FOR A FIRST GENERAL DISCUSSION ON THE OVERALL LIMITED OFFICIAL USE

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ISSUES CONCERNED. (FYI: STEEG INDICATED TO SECRETARIAT THAT THE FIRST TWO PARAGRAPHS OF THE UK TEXT ARE ACCEPTABLE TO FRG.)

5. IN REFDOC (G), THE SECRETARIAT POINTED TO THE BRACKETED LANGUAGE IN THE "HAVING REGARD" SECTION FOLLOWING THE DRAFT PREAMBLE, AND INDICATED EXPECTATION IT EXPECTS THE PHRASE "MEMBER COUNTRIES" RATHER

THAN "ALL STATES" TO BE MORE LIKELY TO MEET IME AND
COUNCIL APPROVAL.

6. STEEG'S INTENTION IS TO GET ALL OF REFDOC C AGREED
AT THE NEXT PLENARY OF IME (WITH MINOR DRAFTING PROBLEMS
TO BE TAKEN CARE OF IN THE AD HOC GROUP). STEEG AIMS
AT WORK SCHEDULE WHICH WOULD MAKE POSSIBLE BRINGING

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GUIDELINES DOCUMENT (AND THE REST OF RELATED PACKAGE)
TO OECD COUNCIL MEETING IN JANUARY. SHE ENVISIONS
THREE MORE PLENARY MEETINGS OF THE IME PRIOR TO THE
COUNCIL, I.E., MEETINGS IN NOVEMBER, DECEMBER AND
JANUARY. THE AD HOC DRAFTING GROUP WILL MEET AS
NECESSARY IN THE INTERIM. FURTHERMORE, THE SECRETARIAT
HAS INDICATED THAT IT WILL CALL A MEETING OF THE AD
HOC GROUP ON OCTOBER 2, FOLLOWING THE IME PLENARY, AND
ON OCTOBER 3, IF NECESSARY. MISSION WILL HAVE WILLHAVEFURTHER
CONSULTATIONS WITH SECRETARIAT ON TIMING OF IME AND

AD HOC GROUP MEETINGS ON SEPTEMBER 22.)

7. DISCUSSION WITH FRAU STEEG ALSO INCLUDED THE QUESTION OF WHETHER THE AD HOC DRAFTING GROUP SHOULD BE ENLARGED. THE JAPANESE HAVE BEEN PRESSING FOR THIS. ALTHOUGH THERE ARE ADVANTAGES AND DISADVANTAGES TO THIS MEASURE, ON BALANCE, THE GROUP AT THE SEPT. 18 MEETING FELT IT MIGHT BE USEFUL TO CONSIDER INCLUDING THE FRENCH AND CANADIANS IN THE GROUP, IF IT BECOMES LIMITED OFFICIAL USE

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EVIDENT THAT THEY MAY CREATE PROBLEMS IN THE IME PLENARY, ESPECIALLY IN CONNECTION WITH THE ISSUE OF CONSULTATION PROCEDURES RE MNE'S.

8. CORRIGENDUM ITEM: IN REPLY QUESTION POSED REFTEL A, SECRETARIAT HAS INDICATED MECHANICAL ERROR DID OCCUR AND THE PHRASE "IN AS FAR AS... BUSINESS CONFIDENTIALITY" DOES BELONG IN PARAGRAPH 3 OF THE GENERAL POLICIES SECTION. NO FORMAL CORRIGENDUM WILL BE ISSUED, BUT THE ERROR WILL BE POINTED OUT ORALLY AT THE IME PLENARY.

9. MNE CONSULTATION PROCEDURES: SECRETARIAT AND FRAU STEEG ARE ANXIOUS TO CLARIFY WHAT U.S. POSITION ON THIS ISSUE IS. THEY ARE ALSO PUZZLED WHAT FRENCH AND CANADIAN POSITIONS ARE ON CONSULTATIONS. FOR THE MOMENT, THEY FEEL DISCUSSION AT NEXT IME MEETING WILL HAVE TO CENTER ON CONSULTATION PAPER (REFDOC H), SEPARATELY FROM OTHER PARTS OF GUIDELINES, BEFORE IT CAN BE DETERMINED WHAT FORM AND PLACE THE CONSULTATION FRAMEWORK WILL HAVE IN THE GUIDELINES.

10. RESTRICTIVE BUSINESS PRACTICES: SECRETARIAT INDICATED THAT SWISS STILL HAVE PROBLEMS WITH PARA 3 OF RBP SECTION OF REFDOC (G). SECRETARIAT FEELS THIS A MATTER OF PRINCIPLE WITH THE SWISS WHO BELIEVE THE GUIDELINES (OR LAW FOR THAT MATTER) WITH RESPECT TO RBP SHOULD NOT COVER THE INTRA-GROUP TRANSACTIONS, AND SWISS DO NOT WANT IN THE GUIDELINES TO PREJUDGE THIS CONTENTIOUS AND FUNDAMENTAL ISSUE. THE OPTIONS EXIST TO PUT THIS SUBPARAGRAPH (IN REDRAFTED FORM) IN ANOTHER PART OF THE GUIDELINES (PERHAPS "GENERAL POLICIES") OR TO DROP IT ALTOGETHER. SECRETARIAT WILL PURSUE THIS MATTER BILATERALLY WITH THE SWISS.

11. INCENTIVES/DISINCENTIVES: THIS ISSUE MAY ALSO BE DISCUSSED AT RESTRICTED LUNCHEON ON SEPTEMBER 25TH. THERE APPEARS TO BE SOME CONFUSION ABOUT THE U.S. POSI-

TION ON THIS ISSUE, AS TO WHETHER ONLY MEASURES
FOCUSSED ON FOREIGN DIRECT INVESTMENT ARE CONCERNED
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OR DOMESTIC MEASURES AS WELL. THE SECRETARIAT WOULD
LIKE A THOROUGH TOUR DE TABLE OF THIS PROBLEM AT THE
IME PLENARY, UTILIZING AS A BASIS REFD0C (I). FRG MAY
PROPOSE THAT THE CONSULTATION PROCEDURE ON THESE
MEASURES BE BASED ON THOSE WHICH DISTORT INVESTMENT,
AND INVESTMENT ALONE, LEAVING OTHER DISTORTIVE EFFECTS
LIKE TRADE TO BE HANDLED UNDER PROCEDURES OF THE GATT
OR THE OECD TRADE COMMITTEE.

12. ACTION REQUESTED: MISSION WOULD APPRECIATE ANY
GUIDANCE PRIOR TO SEPTEMBER 25 LUNCHEON ON ANY OF THE
MATTERS DISCUSSED ABOVE.
TURNER

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